

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –
EXTENDED MAIL FORWARDING

Docket No. MT2020-2

UNITED STATES POSTAL SERVICE REQUEST
FOR EXEMPTION FROM DOLLAR AMOUNT LIMITATION
(January 29, 2021)

Pursuant to 39 U.S.C. § 3641 and 39 C.F.R. § 3045.16, the United States Postal Service hereby requests an exemption from the dollar amount limitation placed on market tests of experimental products.

On June 8, 2020, the Postal Service filed a notice in this docket announcing its intent to conduct a market test of an experimental product called Extended Mail Forwarding, and demonstrating that the market test will comply with applicable legal requirements. The Commission found that the market test met the requirements of 39 U.S.C. § 3641 and 39 C.F.R. part 3045 and authorized the market test to proceed in Order No. 5591 on July 20, 2020.

The Postal Service initially introduced its test of Extended Mail Forwarding in nine postal districts: Alabama, Dakotas, Dallas, Northern New Jersey, Northland, Ohio Valley, Sacramento, San Diego, and Santa Ana. Given the strong results in those districts, on October 1, 2020, the Postal Service expanded the geographic scope of the market test nationwide, following its notice to the Commission on September 18, 2020.

Compliance with 39 U.S.C. § 3641(e)(2) Conditions

39 U.S.C. 3641(e)(2) and the Commission's implementing rules at 39 C.F.R. Part 3045.16 set forth the conditions for exempting a market test from the initial revenue limit. As explained below, Extended Mail Forwarding satisfies all of these conditions.

First, as required by subsection (A) of section 3641(e)(2), Extended Mail Forwarding is likely to benefit the public and meet an expected demand. As described in the Postal Service's initial notice, Extended Mail Forwarding is a customer-focused service that ensures customers receive mailpieces for which they are the intended recipient after they change addresses. Individuals, families, and businesses exercise greater control over their mail forwarding expiration dates to better fit their needs, providing more time to communicate with their mailing contacts and update their information.

Second, as required by subsection (B) of section 3641(e)(2), Extended Mail Forwarding is likely to contribute to the financial stability of the Postal Service. In addition to providing a meaningful new revenue stream for the Postal Service, Extended Mail Forwarding has reduced Undeliverable as Addressed (UAA) mailpieces, resulting in cost savings.

Third, pursuant to subsection (C) of section 3641(e)(2), Extended Mail Forwarding is not likely to result in unfair or otherwise inappropriate competition. In its order authorizing the market test, the Commission concluded that the Extended Mail Forwarding experimental product would not result in unfair or otherwise inappropriate competition because only the Postal Service forwards mail under a permanent change-of-address request.

The Commission's implementing rules require the Postal Service to calculate the total revenue received by the Postal Service from the market test for each fiscal year the market test has been in operation, and provide supporting documentation. At the close of FY 2020, Quarter 4, the Extended Mail Forwarding market test, then limited to nine postal districts, received \$655,352.¹ . At the close of FY 2021, Quarter 1, the Extended Mail Forwarding market test, then expanded to a nationwide scope, received \$7,958,925.30, as shown in the quarterly data report being filed today.

The Commission's implementing rules also require the Postal Service to estimate the additional revenue that is anticipated by the Postal Service for each fiscal year remaining on the market test. If the market trends and customer adoption metrics reflected in the FY 2021 Quarter 1 data collection report continue on through FY 2021, the Postal Service anticipates it will collect \$31.8 million over the course FY 2021, well below the \$60,139,860 annual limit that would apply should the Commission grant the present exemption request. The Postal Service would expect a similar result for FY 2022, except that the test is expected to run only through the third quarter of FY 2022, so the yearly revenue for FY 2022 would be expected to be approximately one-fourth less than for FY 2021, unless customer adoption increases.

The Commission's implementing also rules require the Postal Service quantify the product specific costs associated with the development of the market test; that is, costs incurred before the market test is implemented. As indicated in the Quarterly Report for FY 2021, Quarter 1, combined development and attributable costs for the market test through December 31, 2020 were \$504,897.65.

¹ Letter to Secretary Erica A. Barker Providing Extended Mail Forwarding Data Collection Report for FY 2020, Quarter 4, Nov. 10, 2020.

In light of all of the above, the Postal Service submits that Extended Mail Forwarding meets the criteria for an exemption from the dollar amount limitation. The Postal Service would note that it expects the market test to exceed the dollar amount limitation in the present quarter. The Postal Service acknowledges that the Commission's rules call for exemption requests to be filed 45 days in advance of the date the Postal Service expects to exceed the limit, but notes that it has moved as expeditiously as practicable after receiving the higher than expected results from Quarter 1 of FY 2021. The Postal Service therefore requests that the exemption be granted so that the test may proceed through its full duration and continue collecting data.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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